

# *City of Alexandria Employees' Retirement System*

*Alexandria, Louisiana*

*December 31, 2014*

**City of Alexandria Employees'  
Retirement System**

**December 31, 2014**

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

## Independent Auditor's Report

Board of Trustees  
City of Alexandria Employees' Retirement System

### Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2014, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees  
City of Alexandria Employees' Retirement System

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alexandria Employees' Retirement System, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System, a pension trust fund of the City of Alexandria, Louisiana, and do not purport to, and do not present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2014, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and other required supplemental information on pages 20 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees  
City of Alexandria Employees' Retirement System

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

This supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015 on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alexandria Employees' Retirement System's internal control over financial reporting and compliance.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

April 29, 2015

**Required Supplemental Information**  
**Part I**

**Management's Discussion and Analysis**

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2014. It encompasses year-long activities and is management's representation of the System's activities and should be read in conjunction with the accompanying financial statements.

**Overview of the Financial Statements**

The **Statement of Fiduciary Net Position** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2014.

The **Statement of Changes in Fiduciary Net Position** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.

The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.

The **Required Supplemental Information – Part II**, including the Schedules of *Changes in Net Pension Liability and Related Ratios*, *Employer Contributions*, and *Investment Returns*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The content and format of these schedules are new for 2014. Additional information will be added to these schedules until a full ten years of trend information is available.

The **Supplementary Information** is presented for the purposes of additional analysis and is not a required part of the financial statements.

**Financial Analysis**

To begin our financial analysis, a summary of the System Plan Net Assets is presented below:

**Condensed Statement of Plan Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Cash	\$ 5,061,566	\$ 5,906,784	\$ (845,218)
Receivables	728,175	677,879	50,296
Investments, at fair value	141,011,213	129,074,831	11,936,382
Capital assets, net	<u>2,048</u>	<u>525</u>	<u>1,523</u>
Total Assets	146,803,002	135,660,019	11,142,983
Liabilities	<u>(612)</u>	<u>(600)</u>	<u>(12)</u>
Plan Net Position	\$ 146,802,390	\$ 135,659,419	\$ 11,142,971

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

As the table above indicates, the Net Position Restricted for Pensions increased by \$11,142,971, primarily due to a continued increase in asset fair value. The year ended December 31, 2014, while marked with a level of volatility as in previous years, showed a significant increase at year-end. As a result, during the year 2014 there was a net change of \$11,142,971 in Plan Net Position when measured year over year at December 31<sup>st</sup>.

**Cash** – The System, for the past several years, has maintained a portion of its assets in cash. As the table above indicates, there was a net decrease of \$845,218 in total cash amounts – a level that is still somewhat higher than normally would be the case. A portion of the reason is due to investment settlements at year end and the DROP program which requires higher cash balances to be on hand. It is anticipated that over time a reduction of these cash amounts would be permitted.

It is the position of the System that during unsettled market periods and the potential demands of the System for certain cash needs, it is prudent to maintain a larger than normal cash position. Though, as stated in the above paragraph, it is anticipated that a reduction in the cash balance would occur in months ahead.

All of the cash balances of the System earn interest at the daily interest rate arranged with the System's banking company while being kept available for System purposes. The "sweep account" the System previously used has been discontinued for the time being due to the abnormally low interest rate climate which negated the purposes for which it was utilized.

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. During the year 2014 a total of \$789,527 was paid out in cash to DROP participants terminating employment [an increase of \$120,353 over the amount paid the previous fiscal year]. At year-end the total liability to DROP participants was \$1,705,809. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for the accumulated DROP funds. At the year-end, the total in the sub-accounts totaled \$529,459. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Additional demands for cash payments during the year were not only the payment to retired employees, which totaled \$7,886,946 but also included refunds to terminated employees as well. Persons terminating employment, who are not vested for future benefits, are refunded the amount of the employee contributions. During the year 2014 this amounted to \$343,118, a decrease of \$40,516 over the prior year. Cash payments for the DROP amounted to \$789,527 during the year 2014.

**Receivables** – Receivables consist of accrued interest receivable on fixed income securities and dividends receivable on stocks. These receivables tend to increase as the amount invested in fixed income securities and equities increases.

**Investments** – The year ended December 31, 2014 was investment wise much like previous years in terms of volatility; but the System's investments managed to end the year with a net increase of fair value of assets of \$11,936,382.

A positive rate of return was also achieved for the year of 9.9% at the fiscal year end of December 31, 2014. The System's return, according to our actuaries, was among the better rates of return experienced by Louisiana public retirement areas.



**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

**Condensed Statements of Changes in Plan Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Additions</b>			
Employer	\$ 5,178,813	\$ 4,773,338	\$ 405,475
Plan members	1,731,666	1,679,195	52,471
Purchased service	137,703	554,010	(416,307)
Net investment income (loss)	<u>13,260,045</u>	<u>16,829,954</u>	<u>(3,569,909)</u>
Total Additions	20,308,227	23,836,497	(3,528,270)
<b>Deductions</b>			
Plan benefits	7,886,946	7,869,240	17,706
DROP benefits	789,527	669,174	120,353
Employee refunds	343,118	383,634	(40,516)
Transfers to other systems	4,978	-	4,978
Administrative expenses	<u>140,687</u>	<u>142,308</u>	<u>(1,621)</u>
Total Deductions	<u>9,165,256</u>	<u>9,064,356</u>	<u>100,900</u>
<b>Net Increase (Decrease) in Plan Net Position</b>	\$ 11,142,971	\$ 14,772,141	\$ (3,629,170)

The table above indicates that the plan net position increased by \$11,142,971 at the end of 2014. This increase follows a similar increase in the prior fiscal year – a year over year continuation of growth, but at a slower trend.

**Employer Contributions** – Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City's fiscal year at May 1<sup>st</sup>. Rates run for a 12-month period until the following April 30<sup>th</sup> with the current actuarial valuation determining any change in rate structure. The current employer contribution rate of 28.78% will be decreased to 24.70% on May 1, 2015. This rate will be in effect until the close of the City's fiscal year of April 30, 2016. The report of the actuary just received will provide the contribution rate for the City which will be effective May 1, 2016. That report has indicated that the rate effective May 1, 2016 will decline 1.6% of payroll to 23.10%.

During the past three years the system's employer contribution rate will have been reduced 5.68% of payroll [from 28.78% to 23.10%], which, when finally put in place, will result in a cost savings to the City of approximately \$1,000,000.00 per year.

**Investment Income** – The System invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The System either matched or exceeded the indices it measures itself against during the year ended December 31, 2014.

**Other Information**

While the report of the actuary for the fiscal year just ended was just received at this writing, the System is not adding new unfunded liability and our System is still on track to be fully funded in four more years at which time there will be a dramatic reduction in the employer contribution rate. That report speaks for itself, and will not be further addressed in this writing.

**City of Alexandria Employees' Retirement System  
Management's Discussion and Analysis  
Year Ended December 31, 2014**

When viewed on an on-going multi-year basis, the System continues to make progress in its efforts to both grow assets, and reduce unfunded liability. The DROP program continues to place a greater degree of call on the cash of the System and in doing so impedes, somewhat, the normal investment process of the System. Overall, the System is healthy and growing; a direction management continues to strive in attaining.

***Request for Information***

The financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, LA 71309. .

## **Financial Statements**

**City of Alexandria Employees' Retirement System**  
**Statement of Fiduciary Net Position**  
**December 31, 2014**

**Exhibit A**

**Assets**

Cash		\$ 5,061,566
Accrued interest and dividends receivable		728,175
Investments, at fair value:		
Domestic fixed income securities		
Corporate bonds (amortized cost \$42,936,398)	47,789,663	
Zero coupon treasury receipts (amortized cost \$2,592,521)	3,015,807	
GNMA notes (amortized cost \$6,455)	8,026	
U.S. government agency notes (amortized cost \$2,711,610)	2,866,288	
Domestic equities		
Preferred stocks (cost \$2,233,978)	2,256,559	
Common stocks (cost \$65,165,703)	85,074,870	
Total Investments (cost \$115,646,665)		141,011,213
Furniture, fixtures, and equipment, net of depreciation		2,048
Total Assets		146,803,002

**Liabilities**

Payroll taxes withheld	612
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**Net Position Restricted for Pensions**

\$ 146,802,390

The accompanying notes are an integral part of the financial statements.

**City of Alexandria Employees' Retirement System  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2014**

**Exhibit B**

**Additions**

Contributions	
Employer	\$ 5,178,813
Plan members	1,731,666
Purchased service, transfers, and/or repayment of refunds	137,703
Total Contributions	<u>7,048,182</u>
Investment income	
Interest	2,036,665
Dividends	1,980,425
Net appreciation in fair value of investments	9,242,955
Total Investment Income	<u>13,260,045</u>
Total Additions	<u>20,308,227</u>

**Deductions**

Benefit payments, excluding DROP benefits	7,886,946
DROP benefits	789,527
Employee refunds	343,118
Transfers to other systems	4,978
Administrative expenses	140,687
Total Deductions	<u>9,165,256</u>

**Net Increase** 11,142,971

**Net Position Restricted for Pensions**

Beginning of Year	<u>135,659,419</u>
End of Year	<u><u>\$ 146,802,390</u></u>

The accompanying notes are an integral part of the financial statements.

## **Notes to Financial Statements**

**City of Alexandria Employees' Retirement System  
December 31, 2014**

**Notes to Financial Statements**

**1. Plan Description and Significant Accounting Policies**

**Plan Description**

Plan Administration - The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended (Louisiana Revised Statutes (RS) 11:3001 to 13:3017), and administered by the City of Alexandria. Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

Management of the System is vested in the System's Board. RS 11:3011 provides that the Board shall consist of seven trustees as follows:

- a) The Mayor of the City;
- b) The Director of Finance of the City;
- c) The Director of Civil Service and Personnel of the City;
- d) Two municipal employees, who are members of the System and who are selected by plurality vote of the members of the System;
- e) Two retired municipal employees of the City who are members of the System and who are selected by plurality vote of the retired municipal employee members of the System.

Plan Membership - Municipal employees of the City of Alexandria are eligible to become members of the system, other than those public officials and City employees who receive per diem allowance in lieu of earnable compensation, patient or inmate help in City charitable, penal and corrective institutions, and independent contractors employed to render service on a contractual basis, including independent contractual professional services. Membership in this system shall be optional with any class of elected official or with any class of officials appointed by the Mayor or appointed for fixed terms. The Board of trustees may, in its discretion, deny the right to membership in this system to any class of employees whose compensation is only partly paid by the City or who are occupying positions on a part-time or intermittent basis. The Board may, in its discretion, make optional with employees in any such classes their individual entrance into the system.

At December 31, 2014, pension plan membership consisted of:

Inactive plan members and beneficiaries currently receiving benefits	353
Inactive plan members entitled to but not yet receiving benefits	158
Active plan members	<u>508</u>
Total	1,019

The following brief description of the System is provided for general information only.

**City of Alexandria Employees' Retirement System**  
**December 31, 2014**

**Notes to Financial Statements**

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. Average compensation is defined as the highest three year average annual compensation.

Disability Benefits - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

Survivor Benefits - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months' salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months' salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire, are entitled to automatic option 2 benefits.

Deferred Retirement Option Plan (DROP) - In lieu of terminating employment and accepting a service retirement allowance, any member of the System who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the System terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the System. Such funds will be invested in accordance with a policy adopted by the Board of Trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the System. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.



**City of Alexandria Employees' Retirement System**  
**December 31, 2014**

**Notes to Financial Statements**

Contribution Refunds - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

Contribution Rates - The retirement system is financed by employee contributions of 10% of pay plus employer contributions that are set according to actuarial requirements. The employer contribution rate is determined annually by actuarial valuation. The rate so determined is adjusted on May 1, of the calendar year following the year in which the report is issued. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Cost of Living Increases - The board of trustees is authorized to use interest earnings on investments of the system in excess of normal requirements to grant retired members, and widows of members, an annual cost of living increase of 2.00% of their original benefit (not less than ten dollars per month).

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

**Significant Accounting Policies**

Basis of Accounting - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investments - Louisiana statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

**City of Alexandria Employees' Retirement System**  
**December 31, 2014**

**Notes to Financial Statements**

The System's investment policies are established by and may be amended by the Board of Trustees by a majority vote of Board members. It is the policy of the System that all assets shall be managed with the care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in management of large institutional investments considering probable safety of capital as well as probable income. The primary considerations of the investment manager shall be to minimize the risk of loss of principal value and to achieve the greatest rate of return on investments consistent with the level of risk incurred and to provide for future benefits. The management of the pension fund assets and the responsibility for investment decisions is delegated to the secretary of the retirement board who shall be the investment manager. The System's investment policy limits investments to common or preferred stock, corporate or government securities, certificates of deposit, government guaranteed mortgage pools, Guaranteed Investment Contracts' repurchase agreements, and sufficient cash reserves to meet the System's liquidity needs.

The following is the Board's adopted asset allocation policy as of year-end:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash and short term investments	2% to 15%
Long-term fixed income securities and preferred stocks	40% to 90%
Equities	5% to 60%

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Furniture, Fixtures, and Equipment - Furniture, fixtures, and equipment are valued at historical cost less accumulated depreciation. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$250. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

## **2. Cash**

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name.

At year end, cash includes amounts held by the System pursuant to DROP in the amount of \$529,459.

**City of Alexandria Employees' Retirement System**  
**December 31, 2014**

**Notes to Financial Statements**

**3. Investments**

As of December 31, 2014, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Corporate bonds	\$ 47,789,663	\$ -	\$ 2,344,962	\$ 12,367,423	\$ 33,077,278
Zero coupon treasury receipts	3,015,807	-	3,015,807	-	-
GNMA notes	8,026	37	7,767	222	-
U.S. government agency notes	<u>2,866,288</u>	-	-	-	<u>2,866,288</u>
Total Interest-Bearing	53,679,784	\$ 37	\$ 5,368,536	\$ 12,367,645	\$ 35,943,566
Preferred stocks	2,256,559				
Common stocks	<u>85,074,870</u>				
Total Investments	\$141,011,213				

*Interest Rate Risk:* The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

*Credit Risk:* The System may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the System may invest in corporate stocks and bonds. The System's investment policies limit its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investor Services. Moody's Investor Services credit ratings of the System's corporate bonds are summarized below. Due to the extraordinary market conditions experienced during the past several years, management determined that it would be detrimental to the System to sell the bonds whose credit ratings dropped below Baa.

<u>Moody's Investor Services Credit Rating</u>	<u>Fair Value</u>
A or better	\$ 49,199,543
Baa	4,450,662
Less than Baa	<u>29,579</u>
	\$ 53,679,784

*Custodial Credit Risk:* The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the System's investments are held by the System or its agents in the System's name.

**City of Alexandria Employees' Retirement System**  
**December 31, 2014**

**Notes to Financial Statements**

**4. Furniture, Fixtures, and Equipment**

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	Balance Beginning	Additions	Deletions	Balance Ending
Furniture and fixtures	\$ 5,938	\$ -	\$ -	\$ 5,938
Equipment	6,895	2,275	(4,576)	4,594
Total	12,833	2,275	(4,576)	10,532
Accumulated depreciation	(12,308)	(752)	4,576	(8,484)
Net	\$ 525	\$ 1,523	\$ -	\$ 2,048

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2014, amounted to \$752.

**5. Net Pension Liability**

The components of the net pension liability of the System, at December 31, 2014, were as follows:

Total pension liability	\$ 150,137,360
Plan fiduciary net position	146,802,390
Net pension liability	\$ 3,334,970

Plan fiduciary net position as a percentage of total pension liability 97.78%

*Actuarial Assumptions:* The Total Pension Liability as stated in this report is based on the Individual Entry Age Normal actuarial cost method as described in Statement 67 of the Government Accounting Standards Board (GASB 67). Calculations were made as of December 31, 2014 and were based on December 31, 2014 data. The current year actuarial assumptions utilized for this report are based on the assumptions used in the December 31, 2014 actuarial funding valuation, which (with the exception of mortality) were based on results of an actuarial experience study for the period January 1, 2006 – December 31, 2010, unless otherwise specified in this report. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

Actuarial assumptions:

Investment rate of return, net of investment expense, including inflation	7.50%
Salary increases, including inflation and merit increases	5.50%
Inflation	3.00%

**City of Alexandria Employees' Retirement System  
December 31, 2014**

**Notes to Financial Statements**

*Mortality Rates:* In the case of mortality, a study of system mortality was conducted in 2011. The data for the study was collected over the period January 1, 2006 through December 31, 2010. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the fund's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The RP-2000 Healthy Annuitant Mortality Table (set back 1 year for males and females) was selected for active members, healthy annuitants, and beneficiaries. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables. The RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

*Discount rate:* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from the City will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees. Based on these assumptions and the other assumptions and methods as specified in this report, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the system calculated using the discount rate of 7.50%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ 19,312,642	\$ 3,334,970	\$ (10,210,168)

**Required Supplemental Information**  
**Part II**

**City of Alexandria Employees' Retirement System**  
**Required Supplemental Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**December 31, 2014**

	<b>Schedule 1</b>
	<b><u>2014</u></b>
<b>Total Pension Liability</b>	
Service cost	\$ 2,914,694
Interest	10,958,229
Changes in benefit terms	1,182,575
Differences between expected and actual experience	(2,470,911)
Changes in assumptions	3,597,304
Benefit payments	(8,676,473)
Refunds of member contributions	(343,118)
Other	<u>132,725</u>
<b>Net Change in Total Pension Liability</b>	<b>7,295,025</b>
<b>Total Pension Liability - Beginning</b>	<b><u>142,842,335</u></b>
<b>Total Pension Liability - Ending (a)</b>	<b><u>\$ 150,137,360</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions	
Member	\$ 1,731,666
Employer	5,178,813
Net investment income	13,260,045
Benefit payments	(8,676,473)
Refunds of member contributions	(343,118)
Administrative expenses	(140,687)
Other	<u>132,725</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>11,142,971</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b><u>135,659,419</u></b>
<b>Plan fiduciary Net Position - Ending (b)</b>	<b><u>\$ 146,802,390</u></b>
<b>Net Pension Liability - Ending ((a) - (b))</b>	<b>3,334,970</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>97.78%</b>
<b>Covered-Employee Payroll</b>	<b>\$ 18,364,585</b>
<b>Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	<b>18.16%</b>

**Notes to Schedule:**

This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Required Supplemental Information  
Schedule of Employer Contributions  
December 31, 2014**

**Schedule 2**

	<u>2014</u>
Actuarially determined contribution	\$ 5,178,813
Contributions in relation to the actuarially determined contribution	<u>5,178,813</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 18,364,585
Contributions as a percentage of Covered-Employee Payroll	28.20%

Notes to Schedule:

Valuation date:	Actuarially determined contributions rate for the period of January 1 to April 30 of the current year were calculated as December 31 of the third prior year. Actuarially determined contribution rates for the period of May 1 to December 31 of the current year were calculated of December 31 of the second prior year.
Methods and assumptions used to determine contribution rate:	
Actuarial cost method	Frozen entry age normal
Amortization method	Lever percent closed
Remaining amortization period	4 years
Actuarial asset values	The actuarial value of assets is based on market value of assets adjusted to phase in assets earnings above or below the assumed rate of return over a five year period with limits set at 85% to 115% of the market value of assets. When the adjusted value falls outside of the limits, the actuarial value is set equal to the average of the limited and adjusted value.
Salary increases	5.5%, includes merit raises and inflation
Investment rate of return	7.75%, net of investment expense
Retirement age	Members with 10 years of creditable service may retire at age 62 Members with 20 years of creditable service may retire at age 60 Members with 25 years of creditable service may retire at age 55 Members with 30 years of creditable service may retire at any age
Mortality	2000 RP Healthy Annuitant Set Back 1 Year

This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

See independent auditor's report.



**City of Alexandria Employees' Retirement System  
Required Supplemental Information  
Schedule of Investment Returns  
December 31, 2014**

**Schedule 3**

**2014**

Annual money-weighted rate of return,  
net of investment expense

9.86%

**Notes to Schedule:**

This schedule is presented to show trend information for 10 years. However, until a full 10-year trend is compiled, this schedule presents information for those years for which information is available.

See independent auditor's report.

## **Supplementary Information**

**City of Alexandria Employees' Retirement System**  
**Schedule of Cash Receipts and Cash Disbursements**  
**Year Ended December 31, 2014**

**Schedule 4**

**Cash Receipts**

Employer contributions	\$ 5,178,813
Member contributions	1,731,666
Purchased service, transfers, and/or repayment of refunds	137,703
Interest received	2,039,452
Dividends received	1,927,342
Proceeds from sale or redemption of investments	32,376,293
Total Cash Receipts	<u>43,391,269</u>

**Cash Disbursements**

Plan benefits	7,886,946
DROP benefits	789,527
Refunds of contributions	343,118
Transfers to other systems	4,978
Administrative expenses	139,923
Purchase of capital assets	2,275
Purchase of investments	35,069,720
Total Cash Disbursements	<u>44,236,487</u>

<b>Net Increase (Decrease) in Cash</b>	(845,218)
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<b>Cash, Beginning of Year</b>	<u>5,906,784</u>
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<b>Cash, End of Year</b>	<u><u>\$ 5,061,566</u></u>
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See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Corporate Bonds**  
**December 31, 2014**

**Schedule 5**  
**(Continued)**

<b>Description</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Face Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
National Rural Utility Cooperative Finance Corporation	04/10/17	5.450%	\$ 500,000	\$ 494,650	\$ 545,683
AT&T, Inc.	02/01/18	5.500%	500,000	502,283	552,400
Caterpillar Financial Services Corporation	10/01/18	7.050%	500,000	493,022	590,252
Wal-Mart Stores, Inc.	02/01/19	4.125%	300,000	300,505	327,194
Philip Morris International, Inc.	03/26/20	4.500%	300,000	298,104	329,433
MetLife, Inc.	02/08/21	4.750%	300,000	304,762	334,778
Mobil Oil	08/15/21	8.625%	100,000	99,767	135,608
Atlantic Richfield	02/01/22	8.250%	200,000	200,000	252,957
Coca Cola Enterprises, Inc.	09/15/22	8.000%	300,000	300,000	406,666
Merck & Co., Inc.	09/15/22	2.400%	800,000	763,718	781,027
General Electric Capital Corporation	01/09/23	3.100%	500,000	470,560	505,890
E. I. DuPont de Nemours and Company	02/15/23	2.800%	500,000	476,940	491,642
E. I. DuPont de Nemours and Company	02/15/23	2.800%	800,000	769,138	786,628
E. I. DuPont de Nemours and Company	02/15/23	2.800%	350,000	345,346	344,150
Occidental Petroleum	02/15/23	2.700%	500,000	464,276	474,895
GlaxoSmithKline Capital, Inc.	03/18/23	2.800%	800,000	775,182	791,651
GlaxoSmithKline Capital, Inc.	03/18/23	2.800%	350,000	345,062	346,347
Apple, Inc.	05/03/23	2.400%	500,000	460,972	484,728
EMC Corporation	06/01/23	3.375%	500,000	498,164	498,580
Baxter International, Inc.	06/15/23	3.200%	600,000	596,819	602,474
Aetna, Inc.	08/15/23	7.250%	200,000	199,050	248,851
Bristol-Myers Squibb Company	11/01/23	3.250%	750,000	749,778	768,288
Bristol-Myers Squibb Company	11/01/23	3.250%	350,000	354,990	358,535
The Coca-Cola Company	11/01/23	3.200%	750,000	751,416	773,054
The Coca-Cola Company	11/01/23	3.200%	800,000	794,612	824,591
AT&T, Inc.	03/11/24	3.900%	1,000,000	1,000,000	1,026,874
Union Pacific Corporation	01/15/25	3.250%	500,000	507,125	514,080
United Telephone Co. of Florida	01/15/25	8.375%	500,000	489,734	615,129
GTE California, Inc.	05/15/27	6.750%	1,000,000	1,006,633	1,198,381
GTE Corporation	04/15/28	6.940%	500,000	486,761	628,131
GTE Corporation	04/15/28	6.940%	500,000	502,551	628,131
Bell South Telecommunications, Inc.	06/01/28	6.375%	500,000	500,000	600,639
Coca Cola Enterprises, Inc.	09/15/28	6.750%	500,000	498,505	661,745
Atlantic Richfield	03/01/32	8.750%	100,000	100,000	148,181
Intel Corporation	12/15/32	4.000%	500,000	480,650	513,329
Goldman Sachs Group, Inc.	02/15/33	6.125%	250,000	250,000	306,401
Goldman Sachs Group, Inc.	02/15/33	6.125%	500,000	499,250	612,802
Allstate	06/01/33	5.350%	1,300,000	1,319,330	1,574,894
Cincinnati Gas & Electric Company	06/15/33	5.375%	500,000	483,580	561,379
Citigroup Inc.	10/31/33	6.000%	500,000	500,000	580,812
Loews Corporation	02/01/35	6.000%	500,000	496,896	615,120
Wal-Mart Stores, Inc.	09/01/35	5.250%	1,000,000	997,712	1,205,571
Verizon Global Funding Corp.	09/15/35	5.850%	540,000	551,513	634,737
Lowes Companies	10/15/35	5.500%	600,000	554,912	731,549
Cleco Power LLC	12/01/35	6.500%	210,000	210,000	272,031
Wyeth Company	02/15/36	6.000%	300,000	295,616	389,344
Apache Corporation	01/15/37	6.000%	300,000	294,973	326,126
Honeywell International	03/15/37	5.700%	500,000	516,011	643,868
Lehman Brothers	06/21/37	6.500%	203,990	200,870	29,579
Duke Energy	04/15/38	6.050%	750,000	750,000	992,884

**City of Alexandria Employees' Retirement System**  
**Investments - Corporate Bonds**  
**December 31, 2014**

**Schedule 5**  
**(Concluded)**

<b>Description</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Face Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Consolidated Edison Co. of NY	12/01/39	5.500%	\$ 500,000	\$ 502,396	\$ 610,682
Cisco Systems, Inc.	01/15/40	5.500%	500,000	499,354	607,675
Cisco Systems, Inc.	01/15/40	5.500%	1,000,000	1,082,917	1,215,350
Pepsico Capital Resources, Inc	01/15/40	5.500%	300,000	309,475	363,540
Southern California Edison Company	03/15/40	5.500%	500,000	507,979	632,611
Abbot Labs	05/27/40	5.300%	500,000	498,707	611,815
Western Union	06/21/40	6.200%	500,000	512,106	530,312
Wal-Mart Stores, Inc.	07/08/40	4.875%	500,000	489,159	580,669
Apache Corporation	09/01/40	5.100%	300,000	300,248	293,938
Microsoft	02/08/41	5.300%	500,000	506,483	612,663
Honeywell International	03/01/41	5.375%	300,000	304,870	375,921
Amgen, Inc.	10/01/41	4.950%	300,000	288,934	322,625
Halliburton Company	11/15/41	4.500%	300,000	305,135	304,037
Halliburton Company	11/15/41	4.500%	750,000	728,237	760,092
Philip Morris International, Inc.	11/15/41	4.375%	300,000	298,921	310,673
Unitedhealth Group, Inc	11/15/41	4.625%	300,000	298,518	323,501
Florida Powere and Light	02/01/42	4.125%	500,000	500,328	533,795
McDonalds Corporation	02/15/42	3.700%	1,000,000	979,165	959,618
Pepsico Capital Resources, Inc	03/05/42	4.000%	1,000,000	998,812	1,005,968
Duke Energy Indiana, Inc	03/15/42	4.200%	500,000	499,613	533,144
Mississippi Power Company	03/15/42	4.250%	1,000,000	977,617	1,016,767
Southern California Edison Company	03/15/42	4.050%	500,000	494,596	518,781
Unitedhealth Group, Inc	03/15/42	4.375%	500,000	490,500	532,710
Philip Morris International, Inc.	03/20/42	4.500%	505,000	514,427	533,319
Berkshire Hathaway Finance Corporation	05/15/42	4.400%	670,000	648,654	716,763
Target Corporation	07/01/42	4.000%	500,000	508,544	508,921
Astrazeneca	09/18/42	4.000%	500,000	507,957	491,762
Intel Corporaton	12/15/42	4.250%	1,000,000	1,001,456	1,030,932
Loews Corporaton	05/15/43	4.125%	700,000	637,070	664,734
Bell South Telecommunications, Inc.	11/15/45	5.850%	800,000	752,044	886,878
Bell South Telecommunications, Inc.	11/15/45	5.850%	750,000	690,438	831,448
<b>Totals</b>			<b>\$ 43,378,990</b>	<b>\$ 42,936,398</b>	<b>\$ 47,789,663</b>

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - Zero Coupon Treasury Receipts  
December 31, 2014**

**Schedule 6**

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Zero Coupon Treasury Receipt	02/15/17	8.300%	\$ 2,075,000	\$ 1,745,687	\$ 2,040,309
FNMA Discount Note	06/01/17	7.000%	<u>1,000,000</u>	<u>846,834</u>	<u>975,498</u>
<b>Totals</b>			<u>\$ 3,075,000</u>	<u>\$ 2,592,521</u>	<u>\$ 3,015,807</u>

Yield represents yield to maturity.

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Investments - GNMA Notes  
December 31, 2014**

**Schedule 7**

<u>Description</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
GNMA Notes	9.00%	\$ 5,729	\$ 4,704	\$ 5,783
GNMA Notes	9.50%	697	292	755
GNMA Notes	10.00%	1,271	1,271	1,298
GNMA Notes	10.50%	151	151	153
GNMA Notes	11.50%	32	32	32
GNMA Notes	12.00%	5	5	5
<b>Totals</b>		<u>\$ 7,885</u>	<u>\$ 6,455</u>	<u>\$ 8,026</u>

All of the above are monthly principal reduction notes with final maturity scheduled on various dates.

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - U.S. Government Agency Notes**  
**December 31, 2014**

**Schedule 8**

<u>Description</u>	<u>Maturity Date</u>	<u>Yield</u>	<u>Face Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Federal Home Loan Banks Debenture	07/30/27	2.250%	\$ 500,000	\$ 471,154	\$ 498,729
Federal Home Loan Banks Debenture	08/23/27	1.700%	400,000	372,571	395,048
Federal National Mortgage Association Note	08/27/27	3.000%	500,000	473,462	497,520
Federal Home Loan Mortgage Corporaton	09/07/27	3.100%	500,000	467,514	492,878
Federal Home Loan Banks Debenture	10/04/27	3.100%	500,000	459,029	491,353
Federal National Mortgage Association Note	12/27/27	3.150%	<u>500,000</u>	<u>467,880</u>	<u>490,760</u>
<b>Totals</b>			<u>\$ 2,900,000</u>	<u>\$ 2,711,610</u>	<u>\$ 2,866,288</u>

Yield represents yield to maturity.

See independent auditor's report.



**City of Alexandria Employees' Retirement System**  
**Investments - Preferred Stocks**  
**December 31, 2014**

**Schedule 9**

<u>Description</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
BAC Capital Trust VIII	10,000	\$ 250,000	\$ 254,200
Bank of America 6.375%	10,000	250,000	252,900
Entergy Arkansas, Inc	3,900	89,012	90,987
Entergy Arkansas, Inc	1,105	25,387	25,780
Entergy Louisiana, LLC	5,000	119,772	126,350
Entergy Mississippi, Inc	15,000	375,000	388,800
FPL Group Capital Trust I	3,940	99,918	101,731
Gabelli DVD & Inc. Trust	3,880	100,104	98,552
General Electric Capital Corporation	25,000	625,000	620,000
PLC Capital Trust V	3,930	99,979	100,018
RBS Capital Funding Trust VII 6.08%	3,920	99,921	95,609
Vornado Realty Trust 6.625%	3,970	<u>99,885</u>	<u>101,632</u>
<b>Totals</b>		<u><b>\$ 2,233,978</b></u>	<u><b>\$ 2,256,559</b></u>

See independent auditor's report.

**City of Alexandria Employees' Retirement System**  
**Investments - Common Stocks**  
**December 31, 2014**

**Schedule 10**  
(Continued)

Description	Number of Shares	Cost	Fair Value
American Electric Power Company, Inc.	7,500	\$ 401,621	\$ 455,400
American Express Company	8,000	700,317	744,320
Amgen, Inc.	13,000	732,203	2,070,770
AOL, Inc.	605	34,599	27,933
Apache Corporation	10,000	745,381	626,700
Apple, Inc.	10,000	970,640	1,103,800
AT&T, Inc.	15,000	406,594	503,850
Baker Hughes, Inc.	10,000	510,017	560,700
Bank of America Corporation	20,000	344,665	357,800
BB & T Corporation	55,000	1,834,897	2,138,950
Bristol-Myers Squibb Company	10,000	485,214	590,300
Caterpillar, Inc.	20,000	1,809,169	1,830,600
Coco Cola Company	79,500	2,733,368	3,356,490
ConocoPhillips	15,000	1,225,104	1,035,900
Corning, Inc.	56,000	1,509,119	1,284,080
CVS Health Corporation	10,000	878,064	963,100
DaVita HealthCare Partners, Inc.	30,000	1,892,327	2,272,200
Deer & Company	29,000	2,484,874	2,565,630
Devon Energy Corporation	25,000	1,720,343	1,530,250
Dominion Resources, Inc.	12,500	873,965	961,250
Dow Chemical Company	61,000	2,458,889	2,782,210
E.I. du Pont de Nemours and Company	22,000	1,503,673	1,626,680
Emerson Electric Company	46,000	1,227,338	2,839,580
Express Scripts Holding Company	46,500	1,559,400	3,937,155
Exxon Mobil Corporation	35,000	1,556,433	3,235,750
Frank's International N.V.	20,000	625,220	332,600
Freeport-McMoran, Inc.	45,000	1,963,975	1,051,200
Frontier Communications Company	4,800	41,904	32,016
General Electric Company	120,000	2,168,550	3,032,400
General Motors Company	18,310	1,322,200	639,202
General Motors Company Warrants A	7,553	623,029	190,789
General Motors Company Warrants B	7,553	474,121	129,383
Halliburton Company	20,000	614,123	786,600
Honeywell International, Inc.	28,000	1,683,597	2,797,760
ING Groep, N.V.	7,000	285,258	90,790
International Business Machines	12,000	248,918	1,925,280

**City of Alexandria Employees' Retirement System**  
**Investments - Common Stocks**  
**December 31, 2014**

**Schedule 10**  
**(Concluded)**

Description	Number of Shares	Cost	Fair Value
JDS Uniphase Corporation	2,937	\$ 791,116	\$ 40,296
Johnson & Johnson	40,000	2,485,715	4,182,800
Kansas City Southern	21,000	2,378,192	2,562,630
Medtronic, Inc	15,000	953,864	1,083,000
Microsoft Corporation	15,000	686,900	696,750
Monsanto Company	23,000	2,553,478	2,747,810
Nuance Communications, Inc.	90,000	1,932,196	1,284,300
Pfizer, Inc	25,000	745,973	778,750
Procter & Gamble Company	45,625	2,552,440	4,155,981
Schlumberger, Ltd.	29,000	2,062,376	2,476,890
Union Pacific Corporation	26,000	688,981	3,097,380
US Bancorp	44,000	1,346,497	1,977,800
Walgreen Boots Alliance, Inc.	20,000	1,217,983	1,524,000
Wal-Mart Stores, Inc.	18,000	1,360,128	1,545,840
Walt Disney Company	45,000	1,096,934	4,238,550
Wells Fargo & Company	30,000	1,106,661	1,644,600
Weyerhaeuser	17,500	557,160	628,075
<b>Totals</b>		<b>\$ 65,165,703</b>	<b>\$ 85,074,870</b>

See independent auditor's report.

**City of Alexandria Employees' Retirement System  
Schedule of Compensation, Benefits, and  
Other Payments to Chief Executive Officer  
Year Ended December 31, 2014**

**Schedule 11**

**Chief Executive Officer: Richard G. Moriarty**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 46,963
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

See independent auditor's report.

**Other Report Required by  
*Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Trustees  
City of Alexandria Employees' Retirement System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statements of fiduciary net position and changes in fiduciary net position of the City of Alexandria Employees' Retirement System (the System) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated April 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REBECCA B. MORRIS, C.P.A.

DEBORAH R. DUNN, C.P.A.

MICHAEL A. JUNEAU, C.P.A.

REBECCA G. NATION, C.P.A.

CINDY L. HUMPHRIES, C.P.A.

EVELYN RENFROW, C.P.A.

ROBERT W. OYDRAK, C.P.A.





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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees  
City of Alexandria Employees' Retirement System

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A large, stylized handwritten signature in black ink that reads "Payne, Moore &amp; Herrington, LLP".

Certified Public Accountants  
Alexandria, Louisiana

April 29, 2015

## **Schedule of Findings and Responses**



**City of Alexandria Employees' Retirement System**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2014**

**Part I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified not considered to be  
material weaknesses?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes      X   No

*Federal Awards*

Not Applicable

*Prior Year Audit Findings*

None

*Management's Corrective Action Plan*

Not Applicable

*Other Comments and Recommendations*

Not Applicable

**Part II - Findings Related to the Financial Statements**

None

**Part III - Findings and Questioned Costs for Federal Awards**

Not Applicable